

AUTOLIV INC  
Form 424B5  
March 25, 2009  
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**The information in this preliminary prospectus supplement is not complete and may be changed. The registration statement filed with the Securities and Exchange Commission relating to these securities is effective. Neither the preliminary prospectus supplement nor the accompanying prospectus is an offer to sell these securities and neither is soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

Filed pursuant to Rule 424(b)(5)

Registration Statement No. 333-158139

**SUBJECT TO COMPLETION, DATED MARCH 24, 2009**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

(To Prospectus dated March 23, 2009)

**Equity Units**

**(Initially Consisting of Corporate Units)**

This is an offering of Equity Units by Autoliv, Inc. Each Equity Unit will have a stated amount of \$25 and will consist of a purchase contract issued by us and, initially, a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount of our % senior notes due 2014, which we refer to as a Corporate Unit.

The purchase contract will obligate you to purchase from us, no later than April 30, 2012, for a price of \$25 in cash, the following number of shares of our common stock, subject to anti-dilution adjustments:

if the applicable market value of our common stock, which will be determined by reference to average closing prices of our common stock over the 20-trading day period ending on the third trading day prior to April 30, 2012, equals or exceeds the threshold appreciation price of \$ , shares of our common stock.

if the applicable market value is less than the threshold appreciation price, but greater than the reference price of \$ , a number of shares of our common stock having a value, based on the average closing price, equal to \$25; and

if the applicable market value is less than or equal to the reference price, shares of our common stock.

The notes will bear interest at a rate of % per year, payable quarterly. If the remarketing of the notes, as described in this prospectus supplement, is successful, the interest rate on the notes will be reset to a new fixed or floating rate, effective as of the reset effective date, and thereafter interest will be payable at the reset rate. Interest will become payable semi-annually if the notes are reset to a new fixed rate. In addition, in connection with a remarketing of the notes, we may elect to change certain terms of the notes, as described in this prospectus supplement.

You can create Treasury Units from Corporate Units by substituting Treasury securities for your undivided beneficial ownership interest in the notes or the applicable ownership interest in the Treasury portfolio comprising a part of the Corporate Units, and you can recreate Corporate Units by

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substituting your undivided beneficial ownership interest in the notes or, following a special event redemption the applicable ownership interest in the Treasury portfolio for the Treasury securities comprising a part of the Treasury Units.

Your ownership interest in the notes or the applicable ownership interest in the Treasury portfolio or the Treasury securities, as the case may be, will be pledged to us to secure your obligation under the related purchase contract.

If there is a successful remarketing during the period for early remarketing described in this prospectus supplement, the notes comprising a part of the Corporate Units will be replaced by the remarketing Treasury portfolio described in this prospectus supplement. We will apply for listing of the Corporate Units on the New York Stock Exchange. We expect trading of the Corporate Units on the New York Stock Exchange to commence within 30 days of the initial delivery of the Corporate Units. Prior to this offering, there has been no public market for the Corporate Units.

Our common stock is listed on the New York Stock Exchange under the symbol ALV. The last reported sale price of our common stock on March 23, 2009 was \$18.22 per share.

Concurrently with this offering, we are also offering \_\_\_\_\_ shares of our common stock, plus up to an additional \_\_\_\_\_ shares if the underwriter for that offering exercises in full its option to purchase additional shares of our common stock.

Investing in the Equity Units involves risks. See **Risk Factors** beginning on page S-27.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Autoliv, Inc.
Per Unit	\$ 25.00	\$	\$
Total	\$	\$	\$

We have granted the underwriter an option to purchase up to \_\_\_\_\_ additional Corporate Units solely to cover over-allotments, if any, exercisable for 13 days from and including the closing date.

The underwriter expects to deliver the Corporate Units to purchasers on or about \_\_\_\_\_, 2009.

## Morgan Stanley

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The date of this prospectus supplement is \_\_\_\_\_, 2009.

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**Notices to Investors**

**Notice to Investors in Sweden**

This document is not a prospectus for the purposes of the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) and does not constitute an offering of securities to the public in Sweden. Accordingly, this document has not been approved by the Swedish Financial Supervisory Authority and may not be published or otherwise distributed, in whole or in part, in Sweden.

This document has been prepared on the basis that all offers of securities within Sweden will be made pursuant to an exemption under the Swedish Financial Instruments Trading Act from the requirement to prepare and register a prospectus for offers of securities.

Accordingly, this document may not be made available, nor may the offering otherwise be marketed in Sweden, other than in circumstances which are deemed not to be an offer for which a prospectus is required to be prepared and registered pursuant to the Swedish Financial Instruments Trading Act.

**Notice to Investors in the European Economic Area**

This prospectus supplement has been prepared on the basis that all offers of the Company's Equity Units, which will consist of a purchase contract and, initially, a 1/40, or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount of the Company's % senior notes due 2014 sold in this offering, will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the European Economic Area ( **EEA** ) from the requirement to produce a prospectus for offers of the Company's Equity Units. Accordingly, any person making or intending to make any offer within the EEA of the Company's Equity Units should only do so in circumstances in which no obligation arises for the Company or the underwriter to produce a prospectus for such offer. Neither the Company nor the underwriter have authorized, nor do they authorize, the making of any offer of the Company's Equity Units through any financial intermediary, other than offers made by the underwriter that constitute the final placement of the Company's Equity Units contemplated in this prospectus supplement.

In relation to each EEA member state which has implemented the Prospectus Directive (each, a **Relevant Member State** ), an offer to the public of the Company's Equity Units may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any of the Company's Equity Units may be made at any time under the following exemptions from the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
2. to any legal entity which has two or more of (A) an average of at least 250 employees during the last financial year; (B) a total balance sheet of more than EUR 43 million; and (C) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts;
3. to fewer than 100 natural or legal persons (other than qualified investors within the meaning of the Prospectus Directive) subject to obtaining the prior consent of the underwriter for any such offer; or
4. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Company's Equity Units shall result in a requirement for the publication by the Company or the underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes hereof, the expression an **offer to the public** in relation to any of the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Units to be offered so as to enable an investor to decide to purchase any of the Equity Units, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression **Prospectus Directive** includes any relevant implementing measure in each Relevant Member State.

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**Notice to Investors in the United Kingdom**

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Company's Equity Units are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Company's Equity Units will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us. We and the underwriter have not authorized anyone else to provide you with different or additional information. We are not, and the underwriter is not, making an offer of these Equity Units in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date on the front of that document.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the SEC, using a shelf registration process. Under the shelf registration process, we may offer from time to time shares of common stock, shares of preferred stock, debt securities, depository shares (which may include Swedish Depository Receipts representing shares of common stock), warrants, stock purchase contracts, units or any combination of the foregoing securities of which this offering is a part. In the accompanying prospectus, we provide you with a general description of the securities we may offer from time to time under our shelf registration statement. In this prospectus supplement, we provide you with specific information about Equity Units that we are selling in this offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our Equity Units and other information you should know before investing. This prospectus supplement also adds, updates and changes information contained in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under "Incorporation of Certain Information by Reference" before investing in our Equity Units.

Unless the context indicates otherwise, the terms we, our, ours, us and the Company in this prospectus supplement refer to Autoliv, Inc. and consolidated subsidiaries, except that in the discussion of the capital stock and related matters, these terms refer solely to Autoliv, Inc. and not to any of our subsidiaries.

**AVAILABLE INFORMATION**

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus and any prospectus supplement. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus or any prospectus supplement to a contract or other document, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC's rules allow us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus supplement from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus supplement will automatically update and, where applicable, supersede any information contained in this prospectus supplement or incorporated by reference in this prospectus supplement.

We incorporate by reference into this prospectus supplement the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

our Annual Report on Form 10-K for the fiscal year ended December 31, 2008;

our Current Reports on Form 8-K filed with the SEC on February 2, 2009 and February 20, 2009;

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our Proxy Statement on Schedule 14A filed with the SEC on March 23, 2009;

the description of our common stock contained in our Registration Statement on Form S-4 filed on March 24, 1997; and

all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ) on or after the date of this prospectus and before the termination of the applicable offering (except for information furnished to the SEC that is not deemed to be filed for purposes of the Exchange Act).

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all of the information that has been incorporated by reference into this prospectus supplement, excluding exhibits to those documents, unless they are specifically incorporated by reference into those documents. These documents are available on our website at <http://www.autoliv.com>. You can also request those documents from our Vice President of Corporate Communications at the following address:

World Trade Center,

Klarabergsviadukten 70, SE-111 64

Stockholm, Sweden

+46 8 58 72 06 00

**FORWARD LOOKING STATEMENTS**

We have included or incorporated by reference herein forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included or incorporated herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as anticipates, believes, estimates, expects, intends, may, plans, projects, will, would, and similar expressions or expressions of the negative of Such statements are only predictions and, accordingly, are subject to substantial risks, uncertainties and assumptions.

All such forward-looking statements, including without limitation, management s examination of historical operating trends and data, are based upon our then-current expectations and various assumptions, data available from third parties and apply only as of the date of this prospectus supplement or as of the date of the document incorporated by reference. Our expectations and beliefs are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control.

Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in and the successful execution of our restructuring efforts (our action program discussed in our Annual Report on Form 10-K for the year ended December 31, 2008) and the market reaction thereto, changes in general industry and market conditions, increased competition, higher raw material, fuel and energy costs, changes in consumer preferences for end products, customer losses and changes in regulatory conditions, customers deteriorating financial condition, bankruptcies, consolidations or restructuring, divestiture of customer brands, the economic outlook for our markets, fluctuation of foreign currencies, fluctuation in vehicle production schedules for which we are a supplier, market acceptance of our new products, continued uncertainty in program awards and performance, the financial results of companies in which we have made technology



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investments, pricing negotiations with customers, increased costs, supply issues, product liability, warranty and recall claims and other litigation, possible adverse results of pending or future litigation or infringement claims, tax assessments by governmental authorities, legislative or regulatory changes, political conditions, dependence on customers and suppliers, as well the risks identified in Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference.

Except for our ongoing obligation to disclose information under the U.S. federal securities laws, we undertake no obligation to update publicly or revise any forward-looking statements whether as a result of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and we assume no obligation to update any such statements.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This prospectus supplement summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that you should consider before investing. To understand this offering fully, you should carefully read this entire prospectus supplement, including the Risk Factors section, the accompanying prospectus and the information incorporated by reference in them, including our Consolidated Financial Statements and the accompanying Notes included in our Annual Report on Form 10-K for the year ended December 31, 2008. Unless otherwise indicated, all Equity Unit information in this prospectus supplement assumes no exercise of the underwriter's over-allotment option.*

**Our Company**

We are the world's leading supplier of automotive safety systems, with a broad range of product offerings, including modules and components for passenger and driver-side airbags, side-impact airbag protection systems, seatbelts, steering wheels, safety electronics, whiplash protection systems and child seats, as well as night vision systems, radar and other active safety systems. We have production facilities in 29 countries and include the world's largest car manufacturers among our customers. Autoliv's sales in 2008 were \$6.5 billion, approximately 64% of which consisted of airbags and associated products and approximately 36% of which consisted of seatbelts and associated products. Our most important markets are in Europe, United States, Japan and Asia-Pacific.

Our subsidiary Autoliv AB (AAB) is a leading developer, manufacturer and supplier to the automotive industry of automotive safety systems. Starting with seatbelts in 1956, AAB expanded its product lines to include seatbelt pretensioners (1989), frontal airbags (1991), side-impact airbags (1994), steering wheels (1995) and seat sub-systems (1996).

Our subsidiary Autoliv ASP, Inc. (ASP) pioneered airbag technology in 1968 and has since grown into one of the world's leading producers of airbag modules and inflators. ASP designs, develops and manufactures airbag modules, inflators, airbag cushions, seatbelts, and steering wheels. ASP sells inflators and modules for use in driver, passenger, side-impact, and knee bolster airbag systems for worldwide automotive markets.

Autoliv was created from the merger of AAB and ASP's predecessor, the automotive safety products business of Morton International, Inc. in 1997. Autoliv is a Delaware corporation with its principal executive offices in Stockholm, Sweden and functions as a holding company for AAB and ASP, our principal subsidiaries.

Shares of Autoliv common stock are traded on the New York Stock Exchange under the symbol ALV and Swedish Depository Receipts representing shares of Autoliv common stock trade on NASDAQ OMX Stockholm under the symbol ALIV SDB. Options in Autoliv shares are listed on the Chicago Board Options Exchange under the symbol ALIV. Our fiscal year ends on December 31.

Our head office is located at World Trade Center, Klarabergsviadukten 70, Box 70381, SE-107 24 Stockholm, Sweden. The telephone number there is +46 8 58 72 06 00. We had approximately 34,000 employees at December 31, 2008, and a total headcount, including temporary employees, of 37,300. Our website is www.autoliv.com. Information on our website is not incorporated herein by reference and is not a part of this prospectus supplement.

**Recent Developments**

Although global light vehicle production increased in the period from 2005-2008, as a result of the credit crunch, this trend suddenly changed during the middle of 2008 and since the beginning of 2009, global light vehicle production has continued to decrease significantly. In order to adapt, we accelerated the pace of our

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rationalization efforts significantly and have reduced headcount by 3,000 during the first two months this year, resulting in a headcount reduction of 20% or almost 9,000 since June 2008. Of the reductions this year, 2,600 were permanent employees and 400 temporary personnel.

In our annual report on Form 10-K, we stated that we expected capital expenditures, net to decline from \$279 million in 2008 to a range of \$200-\$250 million in 2009. Since then capital expenditures have been adjusted to the lower vehicle production and the estimated annualized run rate is approximately \$160 million during the first quarter.

Upcoming capital market debt maturities during the remainder of 2009 amount to \$279 million compared to \$892 million in cash and unutilized long-term credit facilities on February 28, 2009. There are no financial covenants (i.e. performance related restrictions) for these credit facilities. As planned, we drew an additional \$300 million in March from our revolving credit facility primarily for debt maturing in March and April.

At the end of February 2009, our accounts receivable in North America with General Motors and Chrysler were approximately \$20 million each.

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**THE OFFERING**

*The brief summary below describes the principal terms of the Equity Units, including the notes and the purchase contracts. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Equity Units, Description of the Purchase Contracts, Certain Provisions of the Purchase Contract and Pledge Agreement, and Description of the Notes sections of this prospectus supplement contain more detailed descriptions of the terms and conditions of the Equity Units.*

Issuer	Autoliv, Inc.
Securities Offered	Equity Units (up to Equity Units if the underwriters exercise their over-allotment option in full), each with a stated amount of \$25, and initially consisting of Corporate Units, as described below.
Use of Proceeds	We plan to use the net proceeds from this offering for general corporate purposes. We may also use the net proceeds to finance possible acquisitions. See Use of Proceeds.
Corporate Units	Each Corporate Unit initially consists of a purchase contract and a <sup>1</sup> / <sub>40</sub> , or 2.5%, undivided beneficial ownership interest in \$1,000 principal amount of our % senior notes due 2014. The undivided beneficial ownership interest in notes corresponds to \$25 principal amount of our notes. The notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000, except in certain limited circumstances. Your undivided beneficial ownership interest in notes comprising part of each Corporate Unit is owned by you, but will be pledged to us through the collateral agent to secure your obligation under the related purchase contract. If a special event redemption occurs or there is a successful remarketing of the notes during the period for early remarketing, as described below under Remarketing, the notes comprising part of the Corporate Units will be replaced by the Treasury portfolio described below under Description of the Equity Units as applicable, and the applicable ownership interest in the Treasury portfolio will then be pledged to us through the collateral agent to secure your obligation under the related purchase contract.
Purchase Contracts	Each purchase contract that is a component of a Corporate Unit obligates you to purchase, and obligates us to sell, on April 30, 2012, which we refer to as the purchase contract settlement date, for \$25 in cash, a number of newly issued shares of our common stock equal to the settlement rate. The settlement rate will be calculated, subject to adjustment under the circumstances set forth in Description of the Purchase Contracts Anti-dilution Adjustments and Description of the Purchase Contracts Early Settlement Upon a Fundamental Change, as follows:  if the applicable market value (as defined below) of our common stock is equal to or greater than the threshold appreciation price of \$ , the settlement rate will be shares of our common stock;

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if the applicable market value of our common stock is less than the threshold appreciation price but greater than the reference price of \$ , the settlement rate will be a number of shares of our common stock equal to \$25 divided by the applicable market value; and

if the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be shares of our common stock.

Applicable market value means the average of the closing prices per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the applicable settlement date. The reference price equals the reported last sale price of our common stock on the New York Stock Exchange on March , 2009. The threshold appreciation price represents approximately % appreciation over the reference price.

Issuance of our common stock pursuant to the purchase contracts will be conducted in accordance with applicable law. We will not issue any fractional shares of our common stock upon settlement of a purchase contract. Instead of a fractional share, you will receive an amount in cash equal to this fraction multiplied by the applicable market value. For a description of our common stock, see Description of Capital Stock in the accompanying prospectus.

You may satisfy your obligation to purchase our common stock pursuant to the purchase contracts as described under Satisfaction of Obligations under the Purchase Contracts below.

**Treasury Units**

A Treasury Unit is a unit created from a Corporate Unit and consists of a purchase contract and a <sup>1</sup>/<sub>40</sub>, or 2.5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security with a principal amount at maturity of \$1,000 that matures on April 30, 2012 or earlier (CUSIP No. ), which we refer to as a Treasury security. The ownership interest in the Treasury security that is a component of a Treasury Unit will be owned by you, but will be pledged to us through the collateral agent to secure your obligation under the related purchase contract.

There will be no distributions in respect of the Treasury securities that are components of the Treasury Units but the holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the notes that were released to them when they created the Treasury Units as long as they continue to hold the notes.

**Creating Treasury Units from Corporate Units**

Except during a restricted period (as defined under Description of the Equity Units Creating Treasury Units by Substituting a Treasury Security for a Note ), each holder of Corporate Units will have the right, at any time on or immediately prior to 4:00 p.m., New York City time, on the seventh business day preceding the purchase contract settlement date, to substitute for the related undivided beneficial ownership interest in notes or applicable ownership interests in the

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Treasury portfolio, as the case may be, held by the collateral agent, Treasury securities with a total principal amount at maturity equal to the aggregate principal amount of the notes underlying the undivided beneficial ownership interests in notes for which substitution is being made. Because Treasury securities and the notes are issued in minimum denominations of \$1,000, holders of Corporate Units may make this substitution only in integral multiples of 40 Corporate Units. If the Treasury portfolio has replaced the notes as a component of the Corporate Units, holders of Corporate Units may, at any time on or prior to 4:00 p.m., New York City time, on the second business day immediately preceding the purchase contract settlement date, substitute Treasury securities for the applicable ownership interests in the Treasury portfolio only in integral multiples of \_\_\_\_\_ Corporate Units. These substitutions will create Treasury Units, and the notes underlying the undivided beneficial ownership interest in notes, or the applicable ownership interests in the Treasury portfolio, will be released to the holder and such notes will be separately tradable from the Treasury Units.

Recreating Corporate Units from Treasury Units

Except during a restricted period or following a successful early remarketing, as described under Remarketing , each holder of 40 Treasury Units will have the right, at any time on or prior to 4:00 p.m., New York City time, on the seventh business day immediately preceding the purchase contract settlement date, will have the right to substitute for the related Treasury securities held by the collateral agent, notes or applicable ownership interests in the Treasury portfolio (to the extent permitted below), as the case may be, having a principal amount equal to the aggregate principal amount at stated maturity of the Treasury securities for which substitution is being made. Because Treasury securities and the notes are issued in minimum denominations of \$1,000, holders of Treasury Units may make these substitutions only in integral multiples of 40 Treasury Units. If the Treasury portfolio has replaced the notes as a component of the Corporate Units in connection with a special event redemption, holders of Treasury Units may substitute applicable ownership interests in the Treasury portfolio for Treasury securities only in integral multiples of \_\_\_\_\_ Treasury Units. These substitutions will recreate Corporate Units and the applicable Treasury securities will be released to the holder and will be separate from the Corporate Units.

Payments to Holders of Corporate Units

Holders of Corporate Units will be entitled to receive quarterly cash distributions consisting of their pro rata share of interest payments on the notes, equivalent to the rate of \_\_\_\_\_ % per year on the undivided beneficial ownership interest in notes (or distributions on the applicable ownership interests in the Treasury portfolio if the notes have been replaced by the Treasury portfolio).

Payment Dates

The payments described above in respect of the Equity Units will be payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing July 31, 2009. We will make these payments to the person in whose name the Equity Unit is registered at the close of business on the fifteenth day of the month in which the payment date falls.

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Remarketing

We may, at our option, elect to remarket the notes that are components of the Corporate Units on any remarketing date occurring during the period (which we call the period for early remarketing ) beginning on January 1, 2012 and ending on March 31, 2012, unless the notes have been previously successfully remarketed or there has been a special event redemption. Any remarketing during this period will occur during one or more three-business day remarketing periods that consist of three sequential possible remarketing dates selected by us and will include the notes that are components of the Corporate Units and other notes of holders that have elected to include those notes in the remarketing, as described below. During the period for early remarketing, we have the right to postpone any remarketing in our absolute discretion but not, for the avoidance of doubt, during the final three-business day remarketing period.

On each remarketing date occurring during the period for early remarketing, the remarketing agent will use its reasonable efforts to obtain a price for the notes remarketed that is not less than 100% of the sum of the purchase price for the remarketing Treasury portfolio and the separate notes purchase price, each as described in this prospectus supplement plus, at our option, the applicable remarketing fee. To obtain that price, the remarketing agent may reset the interest rate on the notes, as described below. If the remarketing is successful, interest on the notes will be reset to the reset rate described below, each of the other modifications to the terms of the notes elected to be made by us, as described under

Description of the Purchase Contracts Remarketing Early Remarketing, will take effect and the portion of the proceeds from the remarketing attributable to notes that were components of Corporate Units that is equal to the remarketing Treasury portfolio purchase price will automatically be applied to purchase the remarketing Treasury portfolio. Any remaining proceeds attributable to notes that were components of Corporate Units, net of any remarketing fee as noted above, will be remitted to the holders of the Corporate Units. This Treasury portfolio will be substituted for the notes that are components of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders obligations under the purchase contracts. When paid at maturity, an amount of the Treasury portfolio equal to the principal amount of the substituted notes will automatically be applied to satisfy the Corporate Unit holders obligations to purchase our common stock under the purchase contracts on April 30, 2012. The Treasury portfolio will also provide for the payments of amounts equal to the interest that would have been paid on the notes if there had been no remarketing and no change in the interest rate. See Description of the Purchase Contracts Remarketing in this prospectus supplement.

If none of the remarketings occurring during a three-business day remarketing period results in a successful remarketing, the interest rate on the notes will not be reset, none of the other modifications to the terms of the notes elected to be made by us will take effect, the notes that are components of Corporate Units will continue to be components

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of Corporate Units and subsequent remarketings may, subject to the next paragraph, be attempted during one or more subsequent three-business day remarketing periods as described above.

You may notify the purchase contract agent on or prior to the seventh business day immediately preceding April 30, 2012 of your intention to pay cash in order to satisfy your obligations under the related purchase contracts, unless the notes previously have been successfully remarketed during the period for early remarketing or a special event redemption. If you have not given such notification, or have given such notification but failed to pay the purchase price to settle your purchase contracts on or prior to the sixth business day immediately preceding April 30, 2012, and the notes have not been successfully remarketed during the period for early remarketing and a special event redemption has not occurred, the remarketing agent will attempt to remarket the notes during a three-business day remarketing period beginning on, and including, the fifth business day, and ending on, and including, the third business day, immediately preceding April 30, 2012. This three-business day remarketing period is referred to as the final three-business day remarketing period and we refer to the third business day immediately preceding April 30, 2012 as the final remarketing date. In this remarketing, the remarketing agent will use its reasonable efforts to obtain a price for the notes that is not less than 100% of the aggregate principal amount of the notes being remarketed plus, at our option, the applicable remarketing fee. If the remarketing is successful, interest on the notes will be reset to the reset rate described below, each of the other modifications as we elect to make to the terms of the notes will take effect and the portion of the proceeds from the remarketing attributable to notes that were components of Corporate Units that is equal to the aggregate principal amount of such notes being remarketed will automatically be applied to satisfy in full the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date.

If the notes have not been successfully remarketed on or prior to the final remarketing date, the interest rate on the notes will not be reset, none of the other modifications to the terms of the notes elected to be made by us will take effect and holders of all notes will have the right to put their notes to us on the purchase contract settlement date at a put price equal to \$1,000 per \$1,000 principal amount note (\$25 per applicable ownership interest) plus accrued and unpaid interest. A holder of a note that is a component of a Corporate Unit will be deemed to have automatically exercised this put right unless such holder provides a written notice of an intention to settle the related purchase contract with cash as described in this prospectus supplement. Unless a Corporate Unit holder has settled the related purchase contracts with separate cash, such holder will be deemed to have elected to apply a portion of the proceeds of the put price equal to the principal amount of the notes that are components of such Corporate Units against such holder's obligations to us under the related purchase contracts, thereby satisfying such obligations in full, and we will deliver to such holder our common stock pursuant to the related purchase contracts.



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**Election Not to Participate in the Remarketing**

You may elect not to participate in any remarketing and to retain the notes that are components of your Corporate Units by:

creating Treasury Units as described above;

settling purchase contracts early as described below; or

in the case of the final three-business day remarketing period, notifying the purchase contract agent of your intention to pay cash to satisfy your obligation under the related purchase contracts on or prior to the seventh business day before the purchase contract settlement date and delivering the cash payment required under the purchase contracts to the collateral agent on or prior to the sixth business day before the purchase contract settlement date.

Whether or not you participate in the remarketing, upon a successful remarketing your notes will become subject to the modified provisions described under **Description of the Purchase Contracts Remarketing Early Remarketing**.

**Reset Rate**

The reset rate on the notes will become effective on the reset effective date. The reset rate will be either (i) a fixed interest rate, or (ii) if we elect to remarket the notes as floating rate notes, an applicable index, or base rate, plus a reset spread, in either case determined by the remarketing agent, in consultation with us, at the rate the notes should bear in order for the notes to have an aggregate market value on the remarketing date of at least:

the sum of 100% of the remarketing Treasury portfolio purchase price and the separate note purchase price plus, at our option, the applicable remarketing fee, in the case of a remarketing during the period for early remarketing; or

100% of the aggregate principal amount of the notes being remarketed plus, at our option, the applicable remarketing fee, in the case of a remarketing during the final three-business day remarketing period.

The interest rate on the notes will not be reset if there is not a successful remarketing, and the notes will continue to bear interest at the initial interest rate, payable quarterly in arrears. If the remarketing is successful and the rate is reset, the reset rate will apply to all outstanding notes, whether or not the holders participate in the remarketing and will become effective on the reset effective date. Any reset rate may not exceed the maximum rate, if any, permitted by applicable law.

**Participation in a Remarketing for Holders of Separate Notes**

Holders of notes that are not part of the Corporate Units, which we may refer to as separate notes, may elect, in the manner described in this prospectus supplement, to have their notes remarketed by the remarketing agent along with the notes included in the Corporate Units. See **Description of the Notes Remarketing**. Such holders may also participate in any remarketing by recreating Corporate Units

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from their Treasury Units at any time prior to the first day of the restricted period described under Description of the Equity Units Creating Treasury Units by Substituting a Treasury Security for a Note. Whether or not you participate in the remarketing, upon a successful remarketing your notes will become subject to the modified provisions described under Description of the Purchase Contracts Remarketing Early Remarketing.

Holders of separate notes may exercise their put right upon a failed final remarketing by providing written notice at least two business days prior to the purchase contract settlement date. The put price will be paid to such holder on the purchase contract settlement date.

Satisfaction of Obligations under the Purchase Contracts

You may satisfy your obligations under the purchase contracts as follows:

through early settlement of your purchase contracts in the manner described in this prospectus supplement;

through separate cash settlement prior to the final three-business day remarketing period described above in the case of holders of Corporate Units in the manner described in this prospectus supplement, unless the Treasury portfolio has replaced the notes that are components of the Corporate Units;

through the automatic application of the proceeds of the Treasury securities, in the case of a Treasury Unit, or proceeds from the Treasury portfolio if it has replaced the notes that are components of the Corporate Units;

through the automatic application of the proceeds of a successful remarketing of the notes during the final remarketing period in the manner described in this prospectus supplement; or

through exercise of the right to put the notes to us as described below if no successful remarketing has occurred and none of the above events has taken place.

In addition, the purchase contract and pledge agreement that governs the Corporate Units and Treasury Units provides that your obligations under the purchase contracts will be terminated without any further action upon the termination of the purchase contracts as a result of bankruptcy, insolvency or reorganization of Autoliv, Inc.

Interest on the Notes

Each note will bear interest at the annual rate of % from the original issuance date to, but excluding the reset effective date (as defined under Description of the Purchase Contracts Remarketing Early Remarketing ) or, if no successful remarketing of the notes occurs, April 30, 2014, payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year commencing on July 31, 2009. The interest rate on the notes will be reset in connection with the remarketing as described above under Reset Rate. However, if there is not a successful remarketing of the notes, the interest rate will not be reset and the notes will continue to bear interest at the initial interest rate, all as described above under Reset Rate. Interest

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will be payable to the persons in whose names the notes are registered at the close of business (whether or not a business day), on the fifteenth day of the month in which the interest payment date falls. If we elect to remarket the notes as fixed-rate notes, interest thereon will be payable on a semi-annual basis. The interest payment dates will not change if we elect for the notes to bear interest at a floating rate if successfully remarketed.

Special Event Redemption

The notes are redeemable at our option, in whole but not in part, upon the occurrence and continuation of a tax event or an accounting event at any time prior to the earlier of the date of a successful remarketing and the purchase contract settlement date, as described in this prospectus supplement under Description of the Notes Optional Redemption Special Event. Following any such redemption of the notes, which we refer to as a special event redemption, the redemption price for the notes that are a component of the Corporate Units will be paid to the collateral agent who will use a portion of the redemption price to purchase the Treasury portfolio described in Description of the Notes Optional Redemption Special Event and remit any remaining proceeds to the holders. Thereafter, the applicable ownership interests in the Treasury portfolio will replace the notes as a component of the Corporate Units and will be pledged to us through the collateral agent. Holders of notes that are not a component of the Corporate Units will receive directly the redemption price paid in such special event redemption.

Optional Redemption

Other than in connection with a special event, the notes may not be redeemed by us.

Early Settlement

Subject to certain conditions, a holder of Corporate Units or Treasury Units may settle the related purchase contracts in cash at any time on or prior to 4:00 p.m., New York City time, on the seventh business day immediately preceding the purchase contract settlement date, other than during a restricted period (as defined under Description of the Equity Units Creating Treasury Units by Substituting a Treasury Security for a Note ) or following the effectiveness of a fundamental change in which case Early Settlement Upon a Fundamental Change below will apply. Such early settlement may only be made in integral multiples of 40 purchase contracts. If the Treasury portfolio has replaced the notes as a component of the Corporate Units, holders of Corporate Units may settle early only in integral multiples of Corporate Units (or such other number of Corporate Units as may be determined by the remarketing agent upon a successful remarketing of notes if the reset effective date is not a regular quarterly interest payment date) prior to 4:00 p.m., New York City time, on the second business day immediately preceding the purchase contract settlement date. See Description of the Purchase Contracts Early Settlement.

Your early settlement right is subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available

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prospectus covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required by U.S. federal securities laws, we will use our commercially reasonable efforts to have a registration statement in effect and to provide a prospectus covering those shares of common stock or other securities to be delivered in respect of the purchase contracts being settled.

Early Settlement Upon a Fundamental Change

Upon the occurrence of a fundamental change as defined in Description of the Purchase Contracts Early Settlement upon a Fundamental Change, you will have the right, subject to certain exceptions and conditions, to accelerate and settle a purchase contract early at a fundamental change settlement rate, which will depend on the stock price in such fundamental change and the date such fundamental change occurs, as described under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.

Ranking

The notes will be our unsecured, senior obligations. The payment of the principal of, and interest on, the notes will rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to any of our existing and future subordinated indebtedness. The notes will be effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. Additionally, the notes will be effectively subordinated to all existing and future indebtedness of our subsidiaries.

Tax Consequences

For a discussion of material U.S. federal income tax considerations relating to an investment in the Equity Units, see Material U.S. Federal Income Tax Consequences.

Risk Factors

You should consider carefully all the information set forth and incorporated by reference in this prospectus supplement and the accompanying prospectus and, in particular, you should evaluate the specific factors set forth under Risk Factors beginning on page S-27 of this prospectus supplement before deciding whether to invest in the Equity Units.

Concurrent Common Share Offering

Concurrently with this offering of Equity Units, we are offering shares of our common stock (or shares if the underwriter exercises its over-allotment option in full), which we refer to as the common stock offering. The common stock offering will be effected pursuant to a separate prospectus supplement. This prospectus supplement shall not be deemed an offer to sell or a solicitation of an offer to buy any shares of the common stock in that offering. We cannot assure you that the common stock offering will be completed or, if completed, on what terms it may be completed. The common stock offering and this offering are not contingent upon each other.

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**THE OFFERING EXPLANATORY DIAGRAMS**

The following diagrams illustrate some of the key features of the purchase contracts and the undivided beneficial ownership interests in notes, Corporate Units and Treasury Units.

The following diagrams assume that the notes are successfully remarketed, there has not been a special event redemption and the interest rate on the notes is reset on the purchase contract settlement date.

**Purchase Contract**

Corporate Units and Treasury Units both include a purchase contract under which the holder agrees to purchase shares of our common stock on the purchase contract settlement date.

Notes:

- (1) If the applicable market value of our common stock is less than or equal to the reference price of \$ \_\_\_\_\_, the number of shares of our common stock to be delivered to a holder of an Equity Unit will be \_\_\_\_\_ shares (subject to adjustment).
- (2) If the applicable market value of our common stock is between the reference price and the threshold appreciation price of \$ \_\_\_\_\_, the number of shares of our common stock to be delivered to a holder of an Equity Unit will be calculated by dividing the stated amount of \$25 by the applicable market value (subject to adjustment).
- (3) If the applicable market value of our common stock is greater than or equal to the threshold appreciation price, the number of shares of our common stock to be delivered to a holder of an Equity Unit will be \_\_\_\_\_ shares (subject to adjustment).
- (4) The reference price equals the reported last sale price of our common stock on the New York Stock Exchange on March \_\_\_\_\_, 2009.
- (5) The threshold appreciation price represents approximately \_\_\_\_\_ % of appreciation over the reference price.
- (6) Expressed as a percentage of the reference price. The applicable market value means the average of the closing prices per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the applicable settlement date; provided, however, that if we enter into a reorganization event (as defined under Description of Purchase Contracts Anti-dilution Adjustments ), the applicable market value will mean the value of an exchange property unit (as defined under Description of the Purchase Contracts Anti-dilution Adjustments Reorganization Events. )

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**Corporate Units**

A Corporate Unit consists of two components as described below:

Purchase Contract	Ownership Interest in a Note
(Owed to Holder)	(Owed to Holder)
Our common stock at settlement (April 30, 2012)	Interest  % per annum paid quarterly <sup>(1)</sup>  (following a successful remarketing,  interest will be paid at the reset rate,  either semi-annually (if the reset rate is a  fixed rate) or quarterly (if the reset rate is  a floating rate) at our election)
(Owed to Autoliv, Inc.)	(Owed to Holder)
\$25 at purchase contract settlement date (April 30, 2012)	\$25 at maturity <sup>(2)</sup>  (April 30, 2014)

Notes:

- (1) Each owner of an undivided beneficial ownership interest in notes will be entitled to  $\frac{1}{40}$ , or 2.5%, of each interest payment paid in respect of a \$1,000 principal amount note.
  - (2) Notes will be issued in minimum denominations of \$1,000, except in limited circumstances. Each undivided beneficial ownership interest in notes represents a  $\frac{1}{40}$ , or 2.5%, undivided beneficial ownership interest in a \$1,000 principal amount note.
- The holder of a Corporate Unit owns the  $\frac{1}{40}$  undivided beneficial ownership interest in the note that forms a part of the Corporate Unit but will pledge it to us through the collateral agent to secure its obligation under the related purchase contract.

If the Treasury portfolio has replaced the notes as a result of a special event redemption or successful early remarketing prior to the purchase contract settlement date, the applicable ownership interests in the Treasury portfolio will replace the notes as a component of the Corporate Unit. Unless the purchase contract is terminated as a result of bankruptcy, insolvency or reorganization of Autoliv, Inc. or the holder creates a

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Treasury Unit, the proceeds from the applicable ownership interest in the Treasury portfolio will be used to satisfy the holder's obligation under the related purchase contract.

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**Treasury Units**

A Treasury Unit consists of two components as described below:

<b>Purchase Contract</b>	<b>Treasury Security</b>
(Owed to Holder)	
Our common stock at settlement	